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October 30, 1996

Gary R. Lytle
Vice President
Federal Relations

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

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OCT 30 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: CC Docket 96-45
Ex Parte Statement

Dear Mr. Caton:

On October 30, 1996, Ameritech, along with several of the other regional holding companies, forwarded a letter to members of the Joint Board. That document contained thoughts and concerns related to the recent NTIA/DOE proposal which addresses universal service rulemaking associated with the education provisions of the Telecommunications Act of 1996. The following information has been provided to supplement those comments.

In general, we believe that a two-tier approach as proposed in the NTIA/DOE filing provides a reasonable framework from which to craft a final plan for implementing the requirements of the Act for schools and libraries. However, Ameritech remains concerned about certain elements of that plan, including the application of 100% discounts or free services; the concept and mechanics of bid ceilings, which fail to meet the reimbursement requirements of the Act; and the inclusion of Internet services, inside wire, and other services which are not appropriately classified as telecommunications services under the Act.

The attached table was prepared to provide suggested modifications to the NTIA/DOE proposal that would address these concerns.

We appreciate the opportunity to express these views and look forward to working with the Joint Board and the FCC as they consider the implementation of this important proceeding.

Sincerely,

A handwritten signature in cursive script that reads "Gary R. Lytle".

cc: Federal/State Joint Board

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Ameritech Position On the NTIA Education Proposal

Summary of NTIA Proposal	Ameritech Position
<p>1. Basic connectivity at a bandwidth of 1.544 Mbps or less and Internet Access, meaning World Wide Web and E-mail services, would be made available to eligible schools and libraries at the E-rate (free). Basic connectivity would involve both installation and monthly rates for external access, and the inside connections or "networking" required to ensure that at least one personal computer (located in an area accessible to students) is on-line. (See NTIA proposal, pp. 10-11, 13).</p>	<p>Ameritech is concerned with providing any services to schools and libraries for free, not only because the Act does not call for free services but also because a 100% discount distorts market dynamics and customer decision-making. Beyond that, Ameritech is not opposed to the first part of the definition of Tier 1 services (i.e., basic connectivity at a bandwidth of 1.544 Mbps or less) so long as reimbursement and network (capacity and provisioning) issues are addressed satisfactorily. However, because World Wide Web and E-mail services are not telecommunications services as defined under the Act, Ameritech has 3 concerns: 1) reimbursement for such services is not permitted under the Act; 2) a telecommunications carrier should not be <u>required</u> to provide such services; and 3) the overall size of the Universal Service Fund may be excessive if E-mail services are provided for each student.</p>
<p>2. Competitive bids are the basis of determining the service provider for Tier 1 services. (NTIA proposal, pp. 12-13)</p>	<p>Ameritech supports this provision so long as only telecommunications providers are eligible to bid.</p>
<p>3. Eligible schools and libraries are permitted to aggregate buying plans in order to get a better deal for both Tier 1 and Tier 2 services. (NTIA proposal, p. 19)</p>	<p>Ameritech supports this provision so long as the resale prohibition in the Act is observed for those services supported by the Universal Service Fund.</p>
<p>4. If there are multiple bidders for Tier 1 services, reimbursement from the Universal Service Fund is based on the bid price. (NTIA proposal, pp. 12-13)</p>	<p>Support.</p>

Summary of NTIA Proposal	Ameritech Position
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5. If there is only one bidder for Tier 1 services, it is not clear whether the basis for reimbursement differs when the bidder is an incumbent LEC as opposed to another provider. (NTIA proposal, p. 13)

A single bidder should be reimbursed on the same basis regardless of whether it is the incumbent LEC or not.

6. If there is only one bidder for Tier 1 services, then for reimbursement purposes a bid ceiling may be established based on: a) the best commercially available rate in similarly situated areas; or b) a "cost-plus" rate which includes a rate of return to the provider. (NTIA proposal, p. 13)

If there is only one bidder, reimbursement should be based on the bid price or tariffed rate. This is because, if the eligible school or library does not pay anything for the service (which it is not clear that the Act permits), the only reimbursement payment to the provider which is consistent with the Act is the amount "charged for similar services to other parties" (Sec. 254 (h)(1)(B)) and not some lesser, "bid ceiling" amount.

7. The NTIA plan fails to address the situation when there is no bidder for Tier 1 services. (NTIA proposal, p. 13)

The state commission may establish rules or procedures to address situations where there is no bidder.

8. Eligible schools and libraries may decline the Tier 1 basic package and instead have a credit applied to Tier 2 services. (NTIA proposal, p. 14)

Credits should apply only to existing Tier 1 services, not to obtain Tier 2 services, because it is impossible to quantify the credit to be applied for Tier 2 services.

9. Tier 2 services are defined to include any service offered by a telecommunications service provider. (NTIA proposal, pp. 13-14)

Tier 2 services should only include those services offered by a telecommunications carrier at the time that such services are sought by eligible schools and libraries. In no case should a telecommunications carrier be required to provide a service it does not offer. Tier 2 services should not include non-telecommunications services so long as reimbursement from a universal service fund would occur, such as for high cost and low income schools, as such reimbursement would violate the Act.

<p>Summary of NTIA Proposal</p>	<p>Ameritech Position</p>
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10. The methodology for determining payments for Tier 2 services by schools, which are not high-cost or low-income schools, shall be the lesser of the competitive bid price and the best commercially available rate for similarly situated customers. However, a bid ceiling may also be based on another methodology, such as on a cost-plus rate or a percentage discount from the tariffed rate. (NTIA proposal, p. 14)

If there is to be no reimbursement from the Universal Service Fund, then "bid ceilings" are inapplicable and only the tariffed rate or bid price applies. If there is to be reimbursement from the Universal Service Fund, then the Act permits a different ceiling for payments made by the schools if the provider is reimbursed from the fund for the difference between the bid price (or tariff price or its equivalent if there is no bidder) and the ceiling price paid by the schools (if it is lower), for those telecommunications services that are Tier 2 services.

11. The methodology for determining payments for Tier 2 services by schools, which are high cost or low income schools, shall be the competitive bid price less a discount. This discount could be based on an affordability index. Providers of Tier 2 services to such schools shall be reimbursed from the universal service fund for the difference between the bid price and the discount. (NTIA proposal, pp. 14-15)

Ameritech is not opposed to discounts for high-cost or low-income schools so long as the size of the fund is sufficiently predictable, which is driven in large part by the definitions of the following terms: high-cost schools, low-income schools, and the size (e.g. affordability index) of the discounts.

12. The NTIA plan is silent as to the collection mechanism for raising money for the universal service fund.

The same collection mechanism must be used to fund universal service, whether for the benefit of schools and libraries, low income customers, or for customers living in rural or insular areas. This mechanism must be competitively neutral as required by Sec. 254(b)(4). In this regard, Ameritech supports a percentage levy on retail revenues, payable directly by customers or by carriers with a direct pass-through to customers.